

KANSAS DEPARTMENT OF CREDIT UNIONS

400 Kansas Avenue Suite B
Topeka, Kansas 66603
Phone (785) 296-3021
FAX (785) 296-6830
<http://www.ink.org/public/kdcu/>
E-mail kdcu1@mindspring.com

ADMINISTRATOR'S BULLETIN

VOLUME SIX NUMBER TWO

September 25, 2000

CREDIT UNION COUNCIL NEWS

The next Council meeting is Thursday, December 14, 2000, in the Kansas Department of Credit Unions Conference Room, 400 Kansas Ave., Suite B, Topeka, Kansas. The meeting is scheduled to start at 10:00 A.M.

The Council elected new officers: David Dick, Chair, Steve Ray, Vice Chair and Marilyn Laird, Secretary during the September meeting.

All council meetings are subject to the open meeting regulations. We encourage credit union officials and staff to attend.

For those wishing to place an item on the agenda or speak to the Credit Union Council, please contact David Dick, Chair or Jerel Wright, Administrator, 400 SW Kansas Ave. Suite B, Topeka, Kansas, 66603 or call 785-296-3021.

DEPARTMENT NEWS

Mr. Richard Yadon joined the KDCU staff on Monday, September 18th as a Financial Examiner III. He will work out of Lawrence.

Mr. Yadon comes to the department with over 20 years experience at a federal saving and loan association, experience with an aircraft manufacturer and most recently, a stock brokerage firm.

As reported in our last Administrators bulletin, a NASCUS re-certification team visited our office to review our policies, procedures and operations. The final assessment report will reflect that the KDCU has been re-accredited by NASCUS for 5 more years.

Several recommendations for improvement resulted from this review. The committee expressed concern about the agency's succession planning, field staffing needs and monies budgeted for training.

We have prepared our biennial budget for FY 2002 and FY 2003 with items included to address these issues. As a matter of interest, the FY 2002 and FY 2003 budgets plan for no change or increase in the operating fee scale and formula to cover these issues.

KDCU/NCUA MEETING

On September 7, 2000, employees of the Kansas Department of Credit Unions met with various staff members of the National Credit Union Administration regional office as well as field staff. The agenda included discussions on the joint examinations schedule, the new Aires 2000 examination program, Corporate Credit Union examination program, the Prompt Corrective Action Regulation, increased 1st mortgage lending and a review of credit unions currently under problem case supervision.

EXECUTIVE ORDER 00-3

A recent memorandum from the Office of the Governor (Executive Order 00-3) requires the KDCU to submit an agency plan for regulatory review of all Rules and Regulations. The order requires KDCU to specifically identify a process for evaluating Department regulations and submit a detailed timeline for implementation of proposed changes. The plan calls for a regulatory review committee. Chief Financial Examiner Gail Kasson is designated as the Agency Regulation Administrator (ARA).

The department welcomes and encourages any interested party to participate in the regulatory review of the Department's regulations.

To encourage public participation, the Department will undertake the following steps:

The Department has identified the following constituent groups as interested and affected by Department activities. These groups will be invited to participate in the Department's regulations review:

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1. Credit unions doing business in Kansas
2. The Kansas Credit Union Council
3. The Kansas Credit Union Association
4. The Office of the Kansas Attorney General

By August 1st of each year, the Department will comply with Executive Order 00-3 by creating and submitting an Annual Regulatory Plan that states the Department's regulatory objectives and priorities.

Volunteers will be chosen from the above-mentioned constituent groups to assist with the review of our regulations.

The Kansas Statutes and the Department Regulations are just a click away. Our website is <http://www.ink.org/public/kdcu/>. Our e-mail is kdcu1@mindspring.com.

REGULATORY ALERT

INDIRECT LENDING

The Kansas Department of Credit Unions (KDCU) was informed recently by the Missouri Division of Credit Unions (MDCU) of a potential problem with a car dealer doing business as "BETTER THAN NEW USED CARS" out of Independence, Missouri. The principals acting on behalf of the car dealer, John Hart and Mel Launius, are visiting and establishing indirect loan relationships with credit unions.

PROFILE:

Mr. Hart and Mr. Launius make in-person visits to credit unions to establish the indirect lending connection. The car dealers then offer indirect loans to the credit union on the sale of vehicles, which includes information regarding each buyer's creditworthiness.

The MDCU is working with a number of KC area credit unions, which have determined that the loan application information of the buyers is either inaccurate or falsified. Specifically, the car dealer is

providing falsified paycheck stubs, falsified SSNs and falsified verification of deposits, etc.

The MDCU has stated that credit unions have not suffered great losses, YET. They will provide additional information, as it is available.

ACTION:

Review all of your dealer relationships to determine whether you are involved with this car dealer.

Suspend transactions with this car dealer subject to your review of your relationship and your determination of the amount of risk the credit union has in their loan portfolio.

Contact our office so we can understand how wide the circle of business is for this dealership, if you find you have established loans from this car dealer.

Jerel Wright, Credit Union Administrator